

AUDIT REPORT
CREEK COUNTY RURAL WATER DISTRICT NO. 4
OAKHURST, OKLAHOMA
FOR YEAR ENDED DECEMBER 31, 2022



JENKINS & KEMPER
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

**CREEK COUNTY RURAL WATER DISTRICT NO. 4
OAKHURST, OKLAHOMA
DECEMBER 31, 2022**

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CREEK COUNTY RURAL WATER DISTRICT NO. 4
BOARD OF DIRECTORS
DECEMBER 31, 2022

BOARD OF DIRECTORS

Chairman	Steve Redfearn
Secretary	Cherie Blakley
Treasurer	Kevin Tunnell
Member	Eugene Tunnell
Member	Vacant

OPERATOR

Bob Davis

BOOKKEEPER

Loretta Kelch



JENKINS & KEMPER
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

JACK JENKINS, CPA
MICHAEL KEMPER, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Creek Co. RWD No. 4
Oakhurst, OK 74050-0576

Opinions

We have audited the accompanying financial statements of the business-type activities of Creek Co. RWD No. 4 (the District), Oakhurst, Oklahoma, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Creek Co. RWD No. 4 as of December 31, 2022, and the respective changes in net position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect

a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Creek Co. RWD No. 4 has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on these financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated June 7, 2023, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Jenkins & Kemper, CPAs P.C.

Jenkins & Kemper
Certified Public Accountants

June 7, 2023



JENKINS & KEMPER
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

JACK JENKINS, CPA
MICHAEL KEMPER, CPA

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Trustees
Creek Co. RWD No. 4
Oakhurst, Oklahoma 74050-0576

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Creek Co. RWD No. 4 as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon, dated June 7, 2023. Creek Co. RWD No. 4 has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board requires to supplement, although not be a part of, the basic financial statements.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not

express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Jenkins & Kemper, CPAs P.C.

Jenkins & Kemper
Certified Public Accountants, P.C.

June 7, 2023

**CREEK COUNTY RURAL WATER DISTRICT NO. 4
SCHEDULE OF AUDIT RESULTS
FOR YEAR ENDED DECEMBER 31, 2022**

There were no material findings.

CREEK COUNTY RURAL WATER DISTRICT NO. 4
STATEMENT OF NET POSITION
FOR YEAR ENDED DECEMBER 31, 2022

ASSETS

Current assets:

Cash in bank	\$ 46,565
Investments	100,854
Accounts receivable	33,638
Prepaid insurance	1,609
Total current assets	<u>182,666</u>

Noncurrent assets:

Capital assets:	
Land	10,000
Water system fixed assets	435,126
Office furniture and equipment	61,214
Less: accumulated depreciation	(206,733)
Total noncurrent assets	<u>299,607</u>

Total assets	<u>482,273</u>
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LIABILITIES

Current liabilities:

Accounts payable	21,979
Payroll taxes payable	874
Funds held for Tanaha Utilities Authority	51,096
Current portion of notes payable	19,579
Total current liabilities	<u>93,528</u>

Non-current liabilities

Customer deposits	8,796
Long-term debt, less current maturities	50,086
Total non-current liabilities	<u>58,882</u>

Total liabilities	<u>152,410</u>
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NET POSITION

Invested in capital assets, net of related debt	229,942
Unrestricted	99,921
Total Net Position	<u>\$ 329,863</u>

The accompanying notes are an integral part of the financial statements

CREEK COUNTY RURAL WATER DISTRICT NO. 4
STATEMENT OF ACTIVITIES
FOR YEAR ENDED DECEMBER 31, 2022

Operating Revenues:

Water sales	\$ 169,546
Transfer fees	188
Tap sales	392
Other income	160
Reimbursement from Taneha Utilities Authority	83,500
Total operating revenues	<u>253,786</u>

Operating Expenses:

Water purchased	40,167
Repair and installation	64,383
Maintenance supplies	45,824
Salaries and payroll taxes	56,905
Billing	28,821
Professional services	5,800
Office expense	6,962
Insurance	4,360
Depreciation	9,736
Rent and telephone	1,149
Dues and fees	947
Water samples	1,897
Miscellaneous	4,077
Total operating expenses	<u>271,028</u>

Operating income (loss) (17,242)

Non-Operating Revenues (Expenses):

Interest/Dividend income	403
Bank fees and fiduciary fees on investments	<u>(2,488)</u>
Total non-operating revenues (expenses)	<u>(2,085)</u>

Changes in net position (19,327)

Total net position, beginning of period 349,190

Total net position, end of period \$ 329,863

The accompanying notes are an integral part of the financial statements

CREEK COUNTY RURAL WATER DISTRICT NO. 4
STATEMENT OF CASH FLOWS
FOR YEAR ENDED DECEMBER 31, 2022

Cash Flows from Operating Activities:

Cash received from customers	\$ 165,224
Cash received from Taneha Utilities Authority	83,500
Cash paid to employees	(57,411)
Cash paid to suppliers	(191,589)
Net cash flows from operating activities	<u>(276)</u>

Cash Flows from Investing Activities:

Purchase of capital assets	(19,069)
Net cash flows from investing activities	<u>(19,069)</u>

Cash Flows from Financing Activities:

Interest paid on note payable	(3,993)
Principal payments on note payable	(17,027)
Net cash flows from financing activities	<u>(21,020)</u>

Net increase (decrease) in cash and cash equivalents (40,365)

Cash and cash equivalents, beginning of period 86,930

Cash and cash equivalents, end of period \$ 46,565

Reconciliation of operating income (loss) to net cash provided by operating activities:

Operating income (loss)	\$ (17,242)
Add depreciation expense	9,736
(Increase)/Decrease in Current Assets	
Accounts receivable, net	(5,762)
Prepaid expenses	(52)
Increase/(Decrease) in Current Liabilities	
Accounts payable	12,850
Customer deposits	700
Payroll taxes payable	(506)
Net cash flows from operating activities	<u><u>\$ (276)</u></u>

The accompanying notes are an integral part of the financial statements

CREEK COUNTY RURAL WATER DISTRICT NO. 4
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2022

Note 1 – Organization

Creek County Rural Water District No. 4, Oakhurst, Oklahoma, is recognized as a public not for profit rural water district under Oklahoma Statutes, Title 82. The purpose of the organization is to provide water to residential and commercial customers who are members of the District.

Note 2 – Summary of significant accounting policies

Reporting Entity

Creek County Rural Water District No. 4 is an independent, self-contained reporting entity with no associated component units. It is operated in a manner similar to a private business enterprise where the cost of providing water services is financed through user charges. The District purchases water primarily from the city of Sapulpa.

Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with Generally Accepted Accounting Principles promulgated in the United States of America. The accounting and financial reporting treatment is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation are included on the balance sheet. The operating statements present increases and decreases in net total assets. Depreciation expense is provided for capital assets based upon estimated useful lives.

Financial activity is accounted for on the flow of economic resources measurement focus using the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Accounts Receivable

Billings for accounts receivable at December 31, 2022 were \$33,638. No computation was made for allowance for doubtful accounts, which is not considered to be material to the financial statements. The aging of these accounts are detailed as follows:

	December 31,
	<u>2022</u>
1-30 days	<u>\$33,638</u>

CREEK COUNTY RURAL WATER DISTRICT NO. 4
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2022

Note 2 – Summary of significant accounting policies – cont'd

Inventory

Inventory is expensed when used and the amount of inventory on hand was deemed to be immaterial to the financial statements.

Property and Equipment

Property and equipment is recorded at cost when purchased. Depreciation expense is recorded using the straight-line method over the estimated useful life of the asset. Water line extensions and improvements are depreciated using a 40-year life. Equipment is depreciated using a 5-year life. Water system improvements constructed by the District include capitalizing the direct cost of materials and labor. If an asset is permanently impaired in value, the asset cost is written down to market value. Line extension costs reimbursed by the customer are not capitalized and accordingly not depreciated.

Cash and Cash Equivalents

Cash and cash equivalents, shown in the financial statements, are amounts that are not subject to fluctuations in principal value due to changing market conditions and have a maturity of less than three months.

Custodial Credit Risk

At December 31, 2022, the District held deposits at financial institutions of approximately \$147,419. The District's cash deposits are entirely covered by Federal Depository Insurance.

Note 3 – Accumulated Unpaid Vacation and Sick Pay

At December 31, 2022, no determination of the aggregate dollar value of vacation and sick pay had been made.

Note 4 – Contingent Liabilities

The District had no known contingent liabilities as of the balance sheet date.

CREEK COUNTY RURAL WATER DISTRICT NO. 4
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2022

Note 5 – Risk Management

Creek County Rural Water District No. 4 is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District continues to carry commercial insurance for these risks, including general and auto liability, property damage, and public officials liability. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

Note 6 – Capital Assets

The following is a summary of changes in property, plant and equipment:

	Balance December 31, 2021	Additions	Deletions	Balance December 31, 2022
Land	\$ 10,000	-		10,000
Water System & Equipment	416,058	19,068		435,126
Office, Furniture & Equipment	61,214	-		61,214
Less accumulated depreciation	(196,997)	(9,736)		(206,733)
Net	<u>\$ 290,275</u>	<u>9,332</u>		<u>299,607</u>

Note 7 – Long-Term Debt

The following is a summary of the long-term debt transactions of the District for the year ended December 31, 2022:

Balance 12/31/21	\$ 88,198
Additions	-
Retirements	(18,533)
Balance 12/31/22	<u>\$ 69,665</u>

CREEK COUNTY RURAL WATER DISTRICT NO. 4
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2022

Note 7 – Long-Term Debt – cont'd

Long-term debt at December 31, 2022, is detailed as follows:

Promissary Note, dated March 23, 2021 for \$100,000, payable to OK Rural Development Finance Corp., 5.5% interest, monthly payments of \$1,910 beginning May 10, 2021, final payment in April, 2026. \$ 69,665

The annual debt service requirements for the retirement of principal and interest payments are as follows:

Year-ending December 31	Principal	Interest	Total
2023	\$ 19,579	3,342	22,921
2024	20,683	2,238	22,921
2025	21,850	1,071	22,921
2026	7,553	87	7,640
Total	<u>\$ 69,665</u>	<u>6,738</u>	<u>76,403</u>

Note 8 – Subsequent Events

Management has evaluated subsequent events through the date of the audit report, which is the date the financial statements were available to be issued and has determined that the following disclosures are necessary:

As of the date of this report, management of Creek County Rural Water District No. 4 is in the process of negotiating with the City of Tulsa to transfer the water system, including all assets and liabilities, to the City of Tulsa and potentially cease operations before the end of 2023. However, until an agreement is approved by both parties, the District will continue providing water services to its customers.